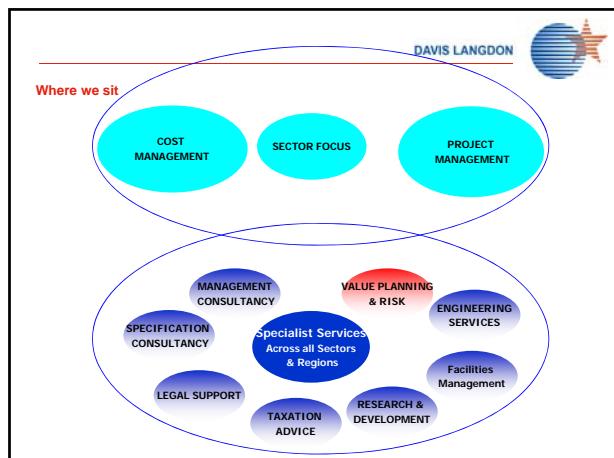


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## Using Value and Risk Techniques in the Procurement Process

Lee Griffin BSc (Hons) MSc MAPM MoR MCIOB PVM  
Associate  
Davis Langdon LLP  
Lee.Griffin@davilangdon.com



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Managing Risk

Increasing Value

Success

Fostering Collaboration

Managing Time

We plan and co-ordinate cost, time and value - and manage risk – from day 1, with a focus on successful outcomes.

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Two tier market

- Large Projects**
  - Continuing opportunities in commercial, public sector and infrastructure
  - Limited number of contractors with the resources to do the work
  - Limited supply chain
  - Sophisticated risk transfer
  - High quality job, good risk assurance, client pays premium
  - Limited buying opportunities
- Medium Projects**
  - Opportunities under threat in all sectors
  - Shorter project programmes – sensitive to slow down
  - Large number of competing tier 1 and tier 2 contractors
  - Performance good, but client should retain risk allowance
  - Increasing buying opportunities

Presentation Structure

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Value Management

Risk Management

Case Study

Washing machine

WATCH OUT FOR ICE

Person with umbrella



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If Value ≠ Cost, what is it?

- Value is derived from achieving maximum benefit for minimum cost
- Benefit is derived from achieving functions
- Functions can be weighted

Benefit	Function Analysis
VALUE $\propto$	Cost & Time Analysis
Investment	

Divide the importance of each function by its cost to get a measure of Value For Money (VFM)

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**Value Management**  
A systematic process to define what value means for Clients, communicate it clearly to the project delivery team to maximise the Project Benefits and minimise the Resources used

**Value Engineering**  
A systematic technique to deliver the Required functionality at lowest cost to give best value for money

**Value-Based Thinking**  
The continuous advice given to add value for the client

*Doing more of the right things for less*  
*"There is no point in doing the wrong thing more cheaply"*  
Peter Drucker

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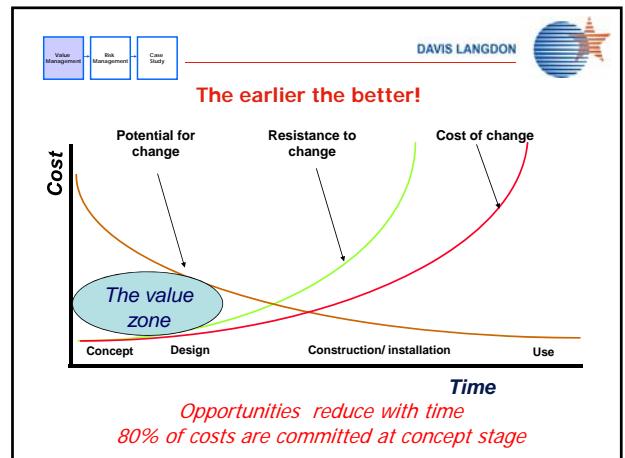
**Why?** **How?**

**PROJECT OBJECTIVES**: Provide outstanding prelet office accommodation to maximise value to client

**Value Drivers / Primary Functions**: Maximise value of usable space, Create exciting image externally and to entrance, Create secure environment, Optimise tenant occupation costs

**Design Solutions**: Column free space 250k, Build to boundary 70k, Custom cladding 50k, Planters 60k, Glass lifts 750k, CCTV System 80k, Security fence 40k, Blast protection 200k, Brise soleil 75k, Spare power loads 25k, Cleaning systems 60k

*Value is in what things do, not what they are*



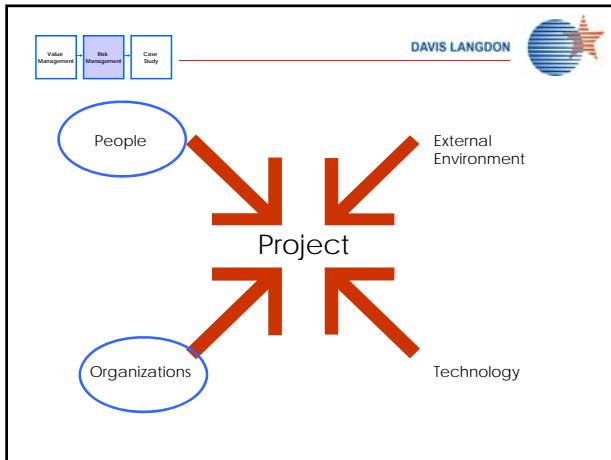
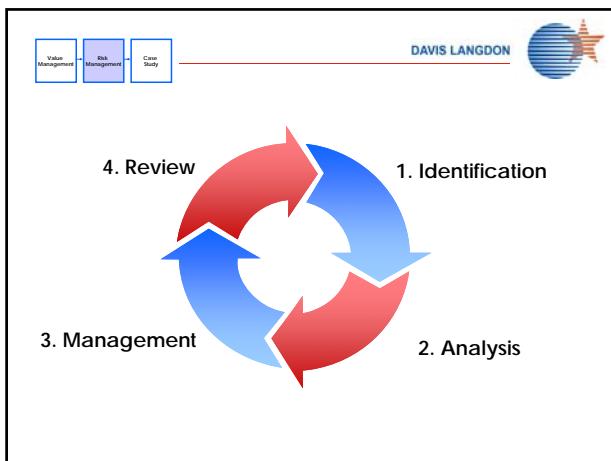
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Type	Project Stage	Issue addressed	Study Name
V0	Inception Stage	To validate the need	Need Verification
V1	Concept Stage	To define the optimum project	Project Definition study
V2	Feasibility Stage	To select the best options	Brief Development study
V3	Outline Design Stage	To maximise cost effectiveness	Value Engineering study
V4	Detailed Design Stage (components)	To minimise costs and maximise constructability	Design & Cost Review
V5	Use	Lessons learnt for future projects	Post Project Review

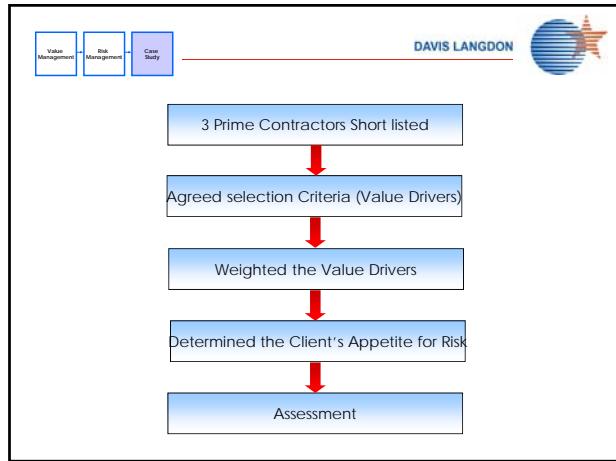
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'an uncertain event or set of circumstances that, should it occur, will have an effect on the achievement of one or more project objectives'

APM



- Workshop team brainstorm factors relevant to judging tenders
- Weight various factors using a paired comparison matrix – to determine relative importance
- Judging tenders in accordance with pre-determine criteria



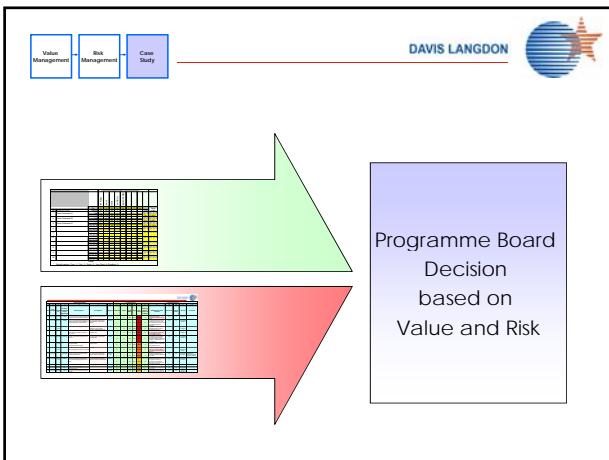
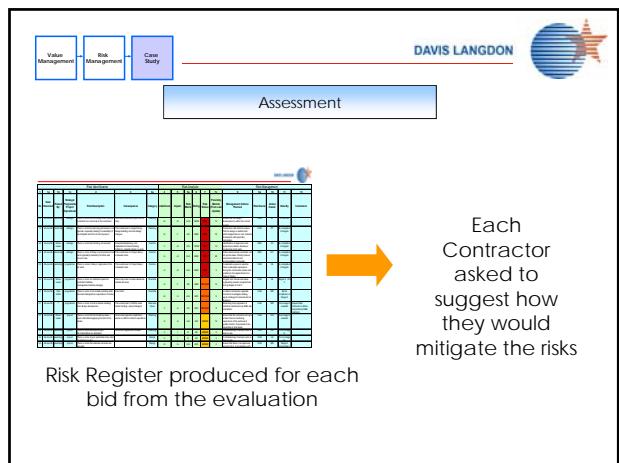
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**EVALUATION CRITERIA, VALUE DRIVERS**

No	DESCRIPTION	Weight	Value Drivers								Total	Value index
			1	2	3	4	5	6	7	8		
1	Prime Contractor A	33%	100	100	85	20	20	1	1	1	329	0.9697
2	Prime Contractor B	31%	4	3	4	3	4	1	1	1	275	0.8871
3	Prime Contractor C	29%	3	3	2	3	4	1	1	1	219	0.7244
4												
5												
6												
7												
8												
9												
10												

**Cost<sup>a</sup>**

Benefit ranking: Poor - 1; Fair - 2; Good - 3; Very Good - 4; Excellent - 5.



Conclusions

- If all bidders are competent then it can come down to lowest cost alone!
- We need more sophisticated cost/benefit analysis
- Value and Risk Management techniques can be useful for the procurement process
- The process doesn't replace judgement!

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# Thank You